



CAFRAL Webinar

Panel Discussion: Draft RBI Guidelines on Securitisation

June 26, 2020 | 11:00 AM – 12:30 PM

The Reserve Bank had issued Guidelines on Securitisation of Standard Assets (which included direct assignment transactions) vide circular dated February 1, 2006. They were updated on May 7, 2012 and July 1, 2013. Subsequently, BCBS issued guidelines on securitisation which were effective from January 1, 2018. Also, the Reserve Bank constituted a Task Force in 2019 on the Development of Secondary Market for Corporate Loans (“Task Force”) and a Committee on Development of Housing Finance Securitisation Market in India (“Committee”). The Task Force and the Committee made various recommendations relating to the securitisation market in India, including changes to the regulatory framework. A key recommendation of both the Committee as well as the Task Force was to separate the regulatory guidelines for direct assignment transactions from the securitisation guidelines and treat it as a sale of loan exposure.

The above recommendations were duly examined by the Reserve Bank, taking into account the public response received. Now RBI has placed in the public domain different sets of draft guidelines on securitisation of loans and sale of loan exposures.

CAFRAL is organising this webinar to have a discussion on these draft guidelines on securitisation and elicit comments from the participants.

The salient features of the draft securitisation guidelines as compared to the existing guidelines are as follows:

1. Only transactions that result in multiple tranches of securities being issued reflecting different credit risks will be treated as securitisation transactions, and accordingly covered under these guidelines;
2. In line with the Basel III guidelines, two capital measurement approaches have been proposed: Securitisation External Ratings Based Approach (SEC-ERBA) and Securitisation Standardised Approach (SEC-SA).
3. Further, a special case of securitisation, called Simple, Transparent and Comparable (STC) securitisations, has been prescribed with clearly defined criteria and preferential capital treatment.
4. The definition of securitisation has been modified to allow single asset securitisations. Securitisation of exposures purchased from other lenders has been allowed.
5. Carve outs have been provided for Residential Mortgage Backed Securities (RMBS) in prescriptions regarding MHP, MRR and reset of credit enhancements.
6. A quantitative test for significant transfer of credit risk has been prescribed for derecognition for the purpose of capital requirements, independent of the accounting derecognition

Speakers' Profile



Dr Harsh Vardhan,
Senior Advisor,
Bain & Company

Dr Harsh is a Senior Advisor with management consulting firm Bain & Company. He is also the Executive-In-Residence at the Centre for Financial Studies (CFS) at the SP Jain Institute of Management & Research (SPJIMR) in Mumbai. For the past 25 years, he has advised top management of companies in India, North America, Europe, South East Asia, and Greater China, on issues of strategy, operations, organisation, risk management, etc. He has worked extensively on issues of corporate finance including mergers and acquisitions, alliance structuring and negotiations, valuations, review of major investment decisions for private equity and strategic investors, etc.

Dr Harsh is actively involved in policy-making related to financial services in India and has been a member of several committees set up by the Government of India and the Reserve Bank of India (RBI). He regularly contributes articles in business media on important financial sector and economic issues.

Harsh has a Bachelor's degree in Mechanical Engineering from Visvesvaraya National Institute Of Technology (VNIT) Nagpur followed by an MBA from Indian Institute of Management (IIM) Kolkata, a Master's of Science in Quantitative Finance, and Ph.D. in business economics from the Smith School of Business of the University of Maryland, US.



Prasanna Balachander
Group Executive, Head -
Global Markets, ICICI
Bank

B Prasanna is a Group Executive and head of Global Markets and Proprietary Trading at ICICI Bank. He is currently responsible for treasury research, trading, market-making and sales/distribution of all treasury products relating to fixed income, foreign exchange and derivatives. He is also currently the Non-Executive Chairman of ICICI Securities Primary Dealership (I-SEC PD). He joined the bank in November 2016 and prior to this appointment was the MD & CEO of I-Sec PD. He has rich experience in the Indian Treasury markets and has been instrumental in contributing to a number of developmental efforts with respect to product development, widening and deepening of the Indian Institutional market. He has been a part of various committees formed by RBI, SEBI and FIMMDA for the development of new products in India. He is currently the Chairman of FIMMDA (Fixed Income Money Market and Derivatives Association of India), has served as the Chairman of the Primary Dealers Association of India and is also currently a director on the Board of CCIL (Clearing Corp. of India Ltd). He is a Chartered and Cost Account and a member of the CFA institute



Saurabh Jaywant
Chief Legal Counsel

Saurabh has been the Chief Legal Counsel of Northern Arc Capital since 2012. Prior to joining Northern Arc Capital, Saurabh was in private practice for a year and worked at ICICI Bank for nearly 7 years, working on a variety of matters ranging from domestic retail to leading teams for international operations in the Middle East, Africa, SEEPZ and Sri Lanka. Saurabh graduated from the National Law School of India University in 2003. His interests include trying to understand how the "market" affects the balance between efficiency and justice.



Chandan Sinha
Interim Director,
CAFRAL

Chandan Sinha has joined CAFRAL as Additional Director (Learning & Administration) in June 2017 after demitting the post of Executive Director in the RBI. As Executive Director of RBI his responsibilities included management of forex reserves, payment & settlement systems and information technology. His work experience includes long stints with financial markets, both within and outside the RBI as also regulation and supervision of banks. He has rich experience of the currency, debt and money markets in view of his long association with the market oriented departments of RBI. He has represented RBI on committees of the Financial Stability Board and the Bank for International Settlements. He has been a resource person for training both within and outside the country and co-authored BIS papers on Corporate Bond Market Development in India and on Indian Financial Openness and Integration with SE Asian Countries. Currently, nominee director on board of SBI; has served earlier on the boards of Allahabad Bank and Union Bank of India. His qualifications are M.Sc. (Physics), MBA (Finance) & CAIIB.



Pramod Kumar Panda
Senior Program Director,
CAFRAL

Pramod Panda is currently associated with CAFRAL's learning activities as Senior Program Director. He specializes in financial regulation, supervision and inclusion. He holds a Masters' Degree in Financial Regulation from London School of Economics and Political Science, UK. As General Manager and Chief General Manager at the Department of Banking Supervision (DBS), Central Office of RBI he has led projects for implementation of Risk Based Supervision, Pillar 2 of Basel II, Financial Conglomerate Supervision and cross border supervision and supervisory cooperation. He has been a member of the Task Force that advised the Accord Implementation Group of The Basel Committee on Banking Supervision (BCBS) in finalizing the Good Practice Principles on Supervisory Colleges. He has long and extensive experience in RBI's onsite supervision and off site monitoring of commercial banks. He has also headed the Financial Fraud Monitoring Cell of DBS. Pramod Panda has been with the International Monetary Fund for three years as Resident Advisor at its Technical Assistance Centre (AFRITAC South), Mauritius where he assisted the central banks of thirteen southern African countries in strengthening their financial sector supervision. He was RBI Nominee Director on the Board of Bank of India. He has done the Sloan Executive Education Programme on MIT's Approach to Design Thinking from Massachusetts Institute of Technology, USA.

He was RBI nominee Director (ND) on the Board of Bank of India, Independent Director (ID) on the Board of Home Credit India Finance. Presently he is RBI ND on the Board of Corporation Bank and ID on the Shipping Corporation of India.